

EXHIBIT 1

INTRODUCTION

Respondent Mattel, Inc. (“Mattel”) is a toy manufacturer headquartered in the City of El Segundo, which is located in the County of Los Angeles. This matter arose from a complaint filed by Mattel. In the complaint, Mattel voluntarily disclosed its discovery that a former senior executive, Fermin Cuza, had unilaterally caused Mattel to reimburse various individuals for their political contributions.

The Political Reform Act (the “Act”)¹ requires major donor committees to file periodic campaign statements disclosing the contributions made by the major donor committee. As a major donor committee, Mattel did not properly disclose the political contributions that Mr. Cuza caused Mattel to reimburse.

For the purposes of this Stipulation, Respondent’s violations of the Act are stated as follows:

- COUNTS 1-10: On a semi-annual campaign statement for the reporting period January 1 through June 30, 1998, filed on or about July 30, 1998, Respondent Mattel, Inc. failed to report 10 contributions that were caused to be made by senior executive Fermin Cuza totaling \$4,300, in violation of Government Code section 84211, subdivision (k)(5).
- COUNTS 11-12: On a semi-annual campaign statement for the reporting period July 1 through December 31, 1998, filed on or about January 27, 1999, Respondent Mattel, Inc. failed to report two contributions that were caused to be made by senior executive Fermin Cuza totaling \$600, in violation of Government Code section 84211, subdivision (k)(5).
- COUNTS 13-24: On a semi-annual campaign statement for the reporting period January 1 through June 30, 1999, required to be filed on or about July 31, 1999, Respondent Mattel, Inc. failed to report 12 contributions that were caused to be made by senior executive Fermin Cuza totaling \$10,250, in violation of Government Code section 84211, subdivision (k)(5).
- COUNTS 25-29: On a semi-annual campaign statement for the reporting period July 1 through December 31, 1999, required to be filed on or about January 31, 2000, Respondent Mattel, Inc. failed to report five

¹ The Political Reform Act is contained in Government Code sections 81000 through 91014. All statutory references are to the Government Code unless otherwise indicated. The regulations of the Fair Political Practices Commission appear at California Code of Regulations, title 2, section 18109 through 18996. All regulatory references are to Title 2 of the California Code of Regulations.

contributions that were caused to be made by senior executive Fermin Cuza totaling \$5,750, in violation of Government Code section 84211, subdivision (k)(5).

COUNTS 30-45: On a semi-annual campaign statement for the reporting period January 1 through June 30, 2000, filed on or about July 31, 2000, Respondent Mattel, Inc. failed to report 10 contributions that were caused to be made by senior executive Fermin Cuza totaling \$4,300, in violation of Government Code section 84211, subdivision (k)(5).

COUNTS 46-48: On a semi-annual campaign statement for the reporting period July 1 through December 31, 2000, filed on or about January 31, 2001, Respondent Mattel, Inc. failed to report three contributions that were caused to be made by senior executive Fermin Cuza totaling \$14,397, in violation of Government Code section 84211, subdivision (k)(5).

SUMMARY OF THE LAW

An express purpose of the Act, as set forth in Section 81002, subdivision (a), is to ensure that receipts and expenditures in election campaigns are fully and truthfully disclosed, so that voters may be fully informed, and improper practices may be inhibited. The Act therefore establishes a campaign reporting system designed to accomplish this purpose of disclosure.

One feature of this system is Section 84200, subdivision (b), which requires “major donor committees” to file campaign statements each year no later than July 31 for the period ending June 30, and no later than January 31 for the period ending December 31, if they have made contributions during the six-month period before the closing date of the statement. Section 82013, subdivision (c) defines a major donor committee as any person who makes contributions totaling \$10,000 or more in a calendar year to, or at the behest of, candidates or committees. The term “person,” as defined in Section 82047, includes corporations.

Section 84211, subdivision (k)(5), requires a major donor committee to report on the committee’s campaign statement specified information about each contribution of \$100 or more made by the committee. The information that is required to be reported includes: (1) the name and street address of the recipient candidate or committee; (2) the date and amount of the contribution; (3) the cumulative amount of contributions made to the recipient candidate or committee; and (4) if the recipient is a candidate, the office for which the candidate is running.

SUMMARY OF THE FACTS

On March 23, 2001, Mattel filed a complaint with the Fair Political Practices Commission (the “FPPC”). In the complaint, Mattel voluntarily disclosed that it had discovered that a former senior executive, Fermin Cuza, had unilaterally caused Mattel to reimburse various individuals for their political contributions.

Mr. Cuza joined Mattel in 1985. When Mr. Cuza left Mattel in March 2001, he was the Senior Vice President of International Trade and Worldwide Governmental Affairs at Mattel. He held this position from approximately June 1997 to March 2001. Mr. Cuza’s duties at Mattel included monitoring United States trade policy, managing Mattel’s worldwide customs activities, representing Mattel’s interests before customs-related agencies and Congress, and negotiating with foreign governments. One of his primary accomplishments at Mattel was the system he designed to streamline Mattel’s customs clearance procedures. As part of that streamlining process, an automatic payment procedure for certain customs duties and payments was established. Part of this process allowed invoices from pre-approved vendors to be paid directly by a brokerage service company and without review by Mattel’s Accounts Payable department or other Mattel employees. One of the pre-approved vendors was the LAXMI Group (“LAXMI”).

Several years after joining Mattel, Mr. Cuza became responsible for managing Mattel’s Government Relations Program. As part of the program, Mattel had a dedicated account from which political contributions were to be made, and each political contribution was debited from Mattel’s government affairs budget. In 1996, Mr. Cuza contracted with Alan Schwartz for international trade and political consulting services. Mr. Schwartz is the sole proprietor of AMS Consulting Services, LLC, aka Asset Management Systems (“AMS”). Mr. Schwartz submitted two types of invoices to Mr. Cuza for payment. The first type of invoice was a monthly invoice for consulting services. The monthly invoice was submitted directly to Mattel and paid directly by Mattel. The second type of invoice was submitted to Mr. Cuza, who approved the invoices, and forwarded them to Mattel’s pre-approved vendor LAXMI for payment. LAXMI, in turn, sought reimbursement from Mattel. There is no evidence that any senior Mattel executive other than Mr. Cuza knew that AMS received additional payments from Mattel via LAXMI.

In December 2000, a Mattel employee told a Human Resources Manager that Mr. Cuza appeared to be improperly directing third parties to make political contributions and arranging for their reimbursement through Mattel. Mattel conducted an internal investigation, and concluded that Mr. Cuza had devised a scheme whereby reimbursements were made from Mattel to AMS that were routed through LAXMI. Based on its internal investigative findings, Mattel voluntarily filed complaints with three governmental agencies, the Federal Elections Commission, the FPPC and the Los Angeles City Ethics Commission (“LACEC”).

According to Mattel's internal investigation, and a subsequent joint investigation by the FPPC and LACEC, Mr. Cuza, with the assistance of Mr. Schwartz, made 56 political contributions without disclosing that Mattel was ultimately the true source of the contributions. Mr. Cuza determined the recipient and the amount of each contribution. Mr. Cuza then either made the contribution from his personal funds, or directed Mr. Schwartz, or another third party, to make the contribution. At the direction of Mr. Cuza, Mr. Schwartz obtained reimbursement for the contributions through the invoices that he submitted to Mr. Cuza for payment by Mattel. As a major donor committee, Mattel had an obligation to report 48 of the 56 contributions.

COUNTS 1-10

Failure to Report Contributions Made During the First Half of 1998

During the calendar year 1998, Respondent qualified as a major donor committee by making contributions totaling \$10,000 or more. On July 30, 1998, Respondent filed a semi-annual campaign statement for the reporting period January 1, 1998 through June 30, 1998. On the campaign statement, Respondent did not disclose 10 contributions made during that reporting period that Mr. Cuza caused Mattel to make, by reimbursing various individuals for their contributions. The 10 contributions were as follows:

Count	Date of Cont.	Contributor Disclosed	Recipient of Contribution	Election Date	Amount
1	01/15/98	Alan Schwartz	Debra Bowen, Candidate for State Senate	06/02/98	\$500
2	01/19/98	Alan Schwartz	Mark Wirth, Candidate for State Assembly	06/02/98	\$250
3	02/23/98	Fermin Cuza	Mark Wirth, Candidate for State Assembly	06/02/98	\$500
4	03/20/98	Alan Schwartz	John Chiang, Candidate for the Board of Equalization	06/02/98	\$100
5	04/23/98	Alan Schwartz	John Latimer, Candidate for State Assembly	06/02/98	\$500
6	04/23/98	Alan Schwartz	Albert Martinez, Candidate for State Assembly	06/02/98	\$500
7	04/23/98	Alan Schwartz	Gloria Romero, Candidate for State Assembly	06/02/98	\$1,000
8	04/23/98	Alan Schwartz	Hannah-Beth Jackson, Candidate for State Assembly	06/02/98	\$500
9	05/11/98	Alan Schwartz	Haydee Tillotson, Candidate for State Assembly	06/02/98	\$250
10	05/14/98	Fermin Cuza	Haydee Tillotson, Candidate for State Assembly	06/02/98	\$200
Total					\$4,300

By failing to disclose 10 contributions totaling \$4,300 on a semi-annual campaign statement, Respondent committed 10 violations of Section 84211, subdivision (k)(5).

COUNTS 11-12

Failure to Report Contributions Made During the Second Half of 1998

On January 27, 1999, as a major donor committee, Respondent filed a semi-annual campaign statement for the reporting period July 1, 1998 through December 31, 1998. On the campaign statement, Respondent did not disclose two contributions made during that period that Mr. Cuza caused Mattel to make, by reimbursing various individuals for their contributions. The two contributions were as follows:

Count	Date of Cont.	Contributor Disclosed	Recipient of Contribution	Election Date	Amount
11	07/07/98	AMS Consulting	Debra Bowen, Candidate for State Senate	11/03/98	\$500
12	10/01/98	AMS Consulting	Don Knabe, Los Angeles County Board of Supervisors	03/07/00	\$100
Total					\$600

By failing to disclose two contributions totaling \$600 on a semi-annual campaign statement, Respondent committed two violations of Section 84211, subdivision (k).

COUNTS 13-24

Failure to Report Contributions Made During the First Half of 1999

During the calendar year 1999, Respondent qualified as a major donor committee by making contributions totaling \$10,000 or more. Respondent did not file a semi-annual campaign statement for the reporting period January 1, 1999 through June 30, 1999, by the July 31, 1999 due date. Respondent did not disclose on any campaign statement 12 contributions made during that period that Mr. Cuza caused Mattel to make, by reimbursing various individuals for their contributions. The 12 contributions were as follows:

Count	Date of Cont.	Contributor Disclosed	Recipient of Contribution	Election Date	Amount
13	03/24/99	Fermin Cuza	Larry Guidi, Candidate for Mayor of the City of Hawthorne	11/02/99	\$5,000
14	04/05/99	Fermin Cuza	Nick Pacheco, Candidate for the Los Angeles City Council	04/13/99	\$250
15	04/06/99	AMS Consulting	Don Knabe, Los Angeles County Board of Supervisors	03/07/00	\$500
16	05/26/99	AMS Consulting	Nick Pacheco, Candidate for the Los Angeles City Council	06/08/99	\$500
17	05/29/99	Frank Orozco	Nick Pacheco, Candidate for the Los Angeles City Council	06/08/99	\$500
18	05/29/99	Tammy Orozco	Nick Pacheco, Candidate for the Los Angeles City Council	06/08/99	\$500

19	05/30/99	Fermin Cuza	Nick Pacheco, Candidate for the Los Angeles City Council	06/08/99	\$500
20	05/30/99	Ines Cuza	Nick Pacheco, Candidate for the Los Angeles City Council	06/08/99	\$500
21	06/05/99	Frank Gomez	Nick Pacheco, Candidate for the Los Angeles City Council	06/08/99	\$500
22	06/05/99	Marika Gomez	Nick Pacheco, Candidate for the Los Angeles City Council	06/08/99	\$500
23	06/07/99	Sheryl Green	Nick Pacheco, Candidate for the Los Angeles City Council	06/08/99	\$500
24	06/21/99	AMS Consulting	George Nakano, Candidate for the State Assembly	03/07/00	\$500
Total					\$10,250

By failing to disclose 12 contributions totaling \$10,250 on a semi-annual campaign statement, Respondent committed 12 violations of Section 84211, subdivision (k)(5).

COUNTS 25-29

Failure to Report Contributions Made During the Second Half of 1999

As a major donor committee, Respondent did not file a semi-annual campaign statement for the reporting period July 1, 1999 through December 31, 1999, by the January 31, 2000 due date. Respondent did not disclose on any campaign statement five contributions made during that period that Mr. Cuza caused Mattel to make, by reimbursing various individuals for their contributions. The five contributions were as follows:

Count	Date of Cont.	Contributor Disclosed	Recipient of Contribution	Election Date	Amount
25	09/01/99	AMS Consulting	Betty Karnette, Candidate for State Senate	03/07/00	\$1,000
26	10/07/99	LAXMI	Cruz Bustamante, Lieutenant Governor	03/05/02	\$2,500
27	11/17/99	AMS Consulting	George Nakano, Candidate of State Assembly	03/07/00	\$1,000
28	12/13/99	AMS Consulting	Yvonne Burke, Los Angeles County Board of Supervisors	03/07/00	\$250
29	12/30/99	Fermin Cuza	Antonio Villaraigosa, Candidate for Mayor of Los Angeles	04/10/01	\$1,000
Total					\$5,750

By failing to disclose five contributions totaling \$5,750 on a semi-annual campaign statement, Respondent committed five violations of Section 84211, subdivision (k)(5).

COUNTS 30-45

Failure to Report Contributions Made During the First Half of 2000

During the calendar year 2000, Respondent qualified as a major donor committee by making contributions totaling \$10,000 or more. Respondent did not file a semi-annual campaign statement for the reporting period January 1, 2000 through June 30, 2000, by the July 31, 2000 due date. Respondent did not disclose on any campaign statement 16 contributions made during that period that Mr. Cuza caused Mattel to make, by reimbursing various individuals for their contributions. The 16 contributions were as follows:

Count	Date of Cont.	Contributor Disclosed	Recipient of Contribution	Election Date	Amount
30	01/25/00	Fermin Cuza	Xavier Becerra, Candidate for Mayor of Los Angeles	04/10/01	\$500
31	02/15/00	AMS Consulting	Antonio Villaraigosa, Candidate for Mayor of Los Angeles	04/10/01	\$1,000
32	05/13/00	Ines Cuza	Xavier Becerra, Candidate for Mayor of Los Angeles	04/10/01	\$1,000
33	06/13/00	Ines Cuza	Rocky Delgadillo, Candidate of Los Angeles City Attorney	04/10/01	\$1,000
34	06/13/00	Fermin Cuza	Rocky Delgadillo, Candidate of Los Angeles City Attorney	04/10/01	\$1,000
35	06/13/00	Alan Schwartz	Rocky Delgadillo, Candidate of Los Angeles City Attorney	04/10/01	\$1,000
36	06/14/00	Anthony Willoughby	Rocky Delgadillo, Candidate of Los Angeles City Attorney	04/10/01	\$1,000
37	06/22/00	LAXMI	Xavier Becerra, Candidate for Mayor of Los Angeles	04/10/01	\$1,000
38	06/23/00	Frank Gomez	Xavier Becerra, Candidate for Mayor of Los Angeles	04/10/01	\$1,000
39	06/23/00	Marika Gomez	Xavier Becerra, Candidate for Mayor of Los Angeles	04/10/01	\$1,000
40	06/26/00	AMS Consulting	Xavier Becerra, Candidate for Mayor of Los Angeles	04/10/01	\$1,000
41	06/26/00	John Balestra	Xavier Becerra, Candidate for Mayor of Los Angeles	04/10/01	\$1,000
42	06/26/00	Gloria Zwinek	Xavier Becerra, Candidate for Mayor of Los Angeles	04/10/01	\$1,000
43	06/26/00	Fermin Cuza	Xavier Becerra, Candidate for Mayor of Los Angeles	04/10/01	\$500
44	06/27/00	Frank Orozco	Xavier Becerra, Candidate for Mayor of Los Angeles	04/10/01	\$1,000
45	06/27/00	Tammy Orozco	Xavier Becerra, Candidate for Mayor of Los Angeles	04/10/01	\$1,000
Total					\$15,000

By failing to disclose 16 contributions totaling \$15,000 on a semi-annual campaign statement, Respondent committed 16 violations of Section 84211, subdivision (k)(5).

COUNTS 46-48

Failure to Report Contributions Made During Second Half of 2000

On January 31, 2000, as a major donor committee, Respondent filed a semi-annual campaign statement for the reporting period January 1, 2000 through December 31, 2000. On the campaign statement, Respondent did not disclose three contributions made during that period that Mr. Cuza caused Mattel to make, by reimbursing various individuals for their contributions. The three contributions were as follows:

Count	Date of Cont.	Contributor Disclosed	Recipient of Contribution	Election Date	Amount
46	07/07/00	LAXMI	Democratic National Committee Non-Federal Corporate	N/A	\$4,799
47	07/10/00	AMS Consulting	Democratic National Committee Non-Federal Corporate	N/A	\$4,799
48	11/09/00	LAXMI	Democratic National Committee Non-Federal Corporate	N/A	\$4,799
Total					\$14,397

By failing to disclose three contributions totaling \$14,397 on a semi-annual campaign statement, Respondent committed three violations of Section 84211, subdivision (k)(5).

CONCLUSION

On six semi-annual campaign statements, Mattel failed to disclose 48 contributions totaling \$50,297. As a Mattel senior executive, Mr. Cuza circumvented Mattel's policies and procedures for the making of these contributions. As a consultant, Mr. Schwartz aided and abetted Mr. Cuza in making contributions on behalf of Mattel without disclosing Mattel as the true source of the contributions.

In mitigation, there is no evidence that any senior Mattel executive other than Mr. Cuza knew that the additional payments to AMS through LAXMI were for the purpose of reimbursing political contributions. In addition, after receiving a complaint from one of its employees, Mattel immediately conducted an internal investigation, and voluntarily contacted the appropriate authorities, including the FPPC, and disclosed the results of its internal investigation. Mattel has also implemented additional safeguards to prevent similar violations from occurring in the future. Mr. Schwartz is no longer a consultant for Mattel, and Mr. Cuza, under pressure from Mattel, resigned from his position at Mattel.

This matter consists of 48 violations of Government Code section 84200, with a maximum administrative penalty of Two Thousand Dollars (\$2,000) per count for 45 counts, and Five Thousand Dollars (\$5,000) per count for three counts, for a total penalty of One Hundred and Five Thousand Dollars (\$105,000). Historically, however, the Commission has approved a lower penalty amount in those cases where a Respondent has fully cooperated with the Enforcement Division's investigation, and has disclosed additional violations that the Enforcement Division may not have otherwise discovered.

In this matter, the Enforcement Division may not have otherwise discovered the 48 reporting violations if Mattel had not voluntarily filed a complaint describing the scheme implemented by Messrs. Cuza and Schwartz. Therefore, a penalty that is less than the maximum penalty is appropriate.

This stipulation is part of a global settlement reached in cooperation with the Enforcement Division of the Los Angeles City Ethics Commission. As part of the settlement, Respondent has agreed to pay a penalty in the amount of Sixty Thousand Dollars (\$60,000) to the City of Los Angeles for violating local contribution limits.

Accordingly, the facts of this case justify imposition of a penalty in the amount of One Thousand Five Hundred Dollars (\$1,500) per violation, for a total penalty of Seventy-two Thousand Dollars (\$72,000).